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FROM : Amembassy CARACAS

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XMBSUBJECT : Seabed Petroleum: Venezuelan/Colombian
Differences regarding the Continental ShelfAIR
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REF : A-352, November 11, 1967; A-226, May 30, 1969

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SUGGESTED DISTRIBUTION

According to a recent AP report from Bogotá, Mario Galán Gómez, head of ECOPETROL, reiterated the state company's interest in oil exploration on the continental shelf "including coastal waters off the peninsula of La Guajira" as the next step toward achieving self-sufficiency. The Embassy has not detected any negative Venezuelan reaction to Galán's announcement, probably because it is now well known that for some years both governments have amicably been attempting to resolve differences with respect to off-shore La Guajira and the Gulf of Venezuela and Venezuelans expect that settlement would be a prior condition before either government conducted oil exploration in disputed areas. Moreover, Venezuela (as well as Colombia) has dealt with the dispute on a low-key basis and has attempted to keep it away from domestic political passions in furtherance of continuing secret negotiations on the matter. Given the possibility of abundant oil off the La Guajira peninsula and in the Gulf of Venezuela, both governments are understandably eager to negotiate a settlement.

Recent Background

Some four years ago, the GOC granted concessions in disputed areas to private companies, but following a protest in Venezuela the concessions became inactive and secret negotiations to resolve differences began in earnest. In 1968, the GOC, on the basis that good relations with Venezuela would be disturbed, prevailed on the Colombian Congress to shelve a bill that would

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have extended Colombian territorial waters to 200 miles. Similar reasons also weighed in the GOV decision to issue the first service contracts for new oil exploration in southern Lake Maracaibo rather than in the Gulf of Venezuela. At the same time, both countries have sought ways to proceed with oil research in the area without prejudicing negotiations: the two state petroleum companies (CVP and ECOPETROL) signed an agreement on December 29, 1967 which permits them to do seismic work in the Gulf of Venezuela making the results available to each other. Both companies stipulated their working arrangement did not affect either country's claims on the bordering territorial sea or continental shelf. Venezuela and Colombia have also in the last two years developed joint petrochemical projects to take advantage of their larger combined markets, thereby increasing the economic stake both have in close, amicable relations.

In May of this year, President Lleras said Colombia would step up efforts to reach an accord with the Venezuelans and hinted that unless agreement was soon reached the GOC would seek international arbitration. Queried about this at his press conference of May 29, President Caldera admitted that despite best efforts by both countries no accord has yet been reached on dividing the shelf. Caldera reminded Venezuelans that although the country had not subscribed to the median line concept set at Geneva, the GOV could still fall back on the treaty exception regarding special (geographical) circumstances. He hoped that the GOC would understand that this was a rather delicate matter to the Venezuelans and suggested therefore that the conduct of both countries in this regard be marked with the highest dignity and friendship.

What is the problem?

Article 72 of the Geneva Convention of 1958 provides that adjacent countries will determine by agreement the continental shelf appertaining to each. In the absence of such an agreement or special circumstances, the boundary is deemed to be the median line. As stated by Caldera, Venezuela believes special circumstances exist precluding application of the median line concept favored by Colombia. Venezuela considers the Gulf of Venezuela an inland body of water, as is the case with Lake Maracaibo, because it is almost completely surrounded by Venezuelan territory. Complicating the matter is that on the basis of Spanish cartography which placed the island of Los Monjes as part of the Captaincy General of Venezuela rather than under Nueva Granada (Colombia), the islands are considered Venezuelan by both countries, though they are closer to the Colombian shores on La Guajira peninsula. (Some Colombians disagree on Los Monjes, but we understand that the GOC for some time has accepted the Venezuelan claim to Los Monjes.)

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Comment

The GOV would prefer and is presently more prepared to have the second round of service contracts in the Gulf of Venezuela which some of the oil companies believe potentially a more fecund source of crude than Lake Maracaibo. If the view that much oil exists has been reinforced by recent seismic work in the Gulf of Venezuela (which data is presumably available to ECOPETROL), then the two countries would have more reason for speedy negotiations, as well as a larger interest in giving away as little as possible. From what appears a greater sense of urgency on the part of the Colombians, coupled with the probability that Venezuela has potentially more flush new areas in which to look for petroleum, Venezuela may have the negotiating advantage. Service contract exploration in southern Lake Maracaibo will probably not start until late next year, and in view of recent Trinidadian off-shore success, Venezuela may also have excellent possibilities on the continental shelf of the Orinoco River delta. In fact, the GOV has just awarded the contract to Western Geophysical for seismic work in this area. Hence, the GOV could possibly go to the latter area for its second round of service contracts if it chose not to get embroiled with the GOC over exploration in the Gulf of Venezuela.

In view of the foregoing discussion, we doubt that a Colombian initiative looking to arbitration would be acceptable to Venezuela. The Venezuelans seem disposed to give in very little on this matter; they already feel vastly cheated on their eastern frontier, the result of international arbitration. So, under the circumstances, the GOV can probably afford and would rather let the situation with Colombia drag along for some time rather than risk the political reaction of any give on the Venezuelan side.

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